

Company announcement

Release date: 29 April 2022

March 2022 (Q1) Quarterly Update

Phoslock Environmental Technologies (ASX:PET) today provided a trading update for the quarter ending 31 March 2022.

Financials

PET's quarterly cash flow report shows a net cash outflow of approximately \$2 million in the March quarter.

Receipts of \$2.54 million included \$1.8 million from the settlement of outstanding issues with BHZQ Environmental Technology Co Ltd, a former customer and related party in China. The settlement resolves all arbitration and court cases for claims and counterclaims initiated by PET and BHZQ against one another. The settlement represents a further clean-up of legacy issues arising from PET's operations in China.

Other receipts for the quarter came from HydroScience in Brazil and minor amounts from customers in China.

Administration and corporate costs included ongoing consulting, audit and legal expenses relating to mismanagement issues previously reported, and costs relating to the Australian Federal Police (AFP) investigation of the company's activities under previous management, which is ongoing. Cost associated with due diligence on the previously announced manufacturing footprint analysis and R&D activities were also incurred in the period.

The company had cash and cash equivalents of over \$20 million at the end of the quarter.

Business Update

Sales in the quarter were relatively small but generally in line with expectations as the company rebuilds the sales pipeline in the post pandemic era. The majority of Q1 sales were for Brazil as established and continuing projects were treated.

The company has made several key recent management appointments during the quarter.

In January, Simon Greaves was appointed as Group Executive, Operations, for PET following the retirement of Andrew Winks. The Group Executive, Operations role is a critical role for the business. Primarily this role is responsible for all sourcing, manufacturing, logistics, supply chains and distribution globally. The role also has a coordination function to ensure all global applications are delivered to agreed company standards. Prior to joining PET Simon's previous roles covered logistics, warehousing and distribution for several large global organisations including Orica Ltd. Simon will be based in PET's Melbourne head office.



Also in January, PET confirmed the appointment of Dr Kate Waters-Hart to the role of Group Manager, Aquatic Science. Kate is based in Dunfermline, Scotland. The Group Manager for Aquatic Science is another critical role for the business globally. This role oversees and coordinates all the science behind PET's products, applications and data management. The seamless delivery of the scientific requirements for each project is essential in reinforcing PET as the trusted partner of choice to remediate and manage fresh water in our target markets. Prior to this appointment, Kate worked for PET as a fresh water aquatic ecologist since 2019.

In March, PET announced the preferred site for its proposed second manufacturing facility in Casper Wyoming. Casper is close to key freight hubs in the USA and offers a supportive business environment with a relatively low cost of production and supply. The company has entered into a lease so as to secure the site, pending detailed design work which will continue in the June quarter. A final decision to proceed is contingent on the preparation of a detailed business case, including firming up forecast volume requirements over future years.

On the R&D front, PET continues to make good progress in developing and testing a number of complementary products which, if successful, will expand the company's addressable markets, such as enabling phosphorus and other nutrients to be removed from flowing water. Potential collaborations with other technology providers are being actively investigated.

Relisting on the ASX

As disclosed at the 2021 financial year business review and strategic outlook presentation on 24 March, PET has lodged a submission to the ASX in support of its objective to relist. PET has lodged audited accounts for the 12 months ending December 2021 as well as audited accounts for the half year period from 1 July to 31 December 2021.

The Company is now in dialogue with ASX in respect of its submission and related matters and is responding to requests from the ASX for additional information. PET is unable to provide any firm timetable for these matters to be resolved to the satisfaction of the ASX, but shareholders will be kept updated on the company's progress. Having PET shares relisted on the ASX is a high priority for management.

Outlook

In the short-term, management expects another challenging year as the company rebuilds the sales pipeline and diversifies into new markets globally.

Longer term, as additional resources are secured to support the company's expansion plans and the COVID situation globally stabilises, management expects to see increased interest and opportunity for Phoslock treatments in markets around the world.

Management firmly believes the company has a clear competitive advantage and PET addresses a large and growing market globally.

Further business updates and commentary will be provided at PET's AGM on Friday May 27th, 2022.

This announcement has been approved by the Managing Director and Chairman

Mr David Krasnostein AM
Chairman

Mr Lachlan McKinnon
Managing Director & CEO

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About PET

Phoslock Environmental Technologies Limited (ASX: PET) specialises in engineering solutions and water treatment products to remediate polluted lakes, rivers, canals and drinking water reservoirs.

Headquartered in Melbourne, PET has offices in Brisbane, Beijing, Bremen (Europe) and Manchester (UK). PET also has registered entities in Canada and the USA, and manufacturing operations based in Changxing, China. PET is represented by licensees, distributors, and agents in numerous other countries, including Hydrosience in Brazil.

Phoslock® is a proprietary and unique water treatment product that permanently binds excess phosphorus in the water column and sediments.

Phoslock is certified for use in drinking water in North America, Europe, Brazil, Australia, and China. Along with Phoslock, PET also supplies zeolites and specialised strains of bacteria that address water pollution issues.

www.phoslock.com.au

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

PHOSLOCK ENVIRONMENTAL TECHNOLOGIES LIMITED

ABN

88 099 555 290

Quarter ended ("current quarter")

March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,539	2,539
1.2 Payments for		
(a) research and development	(284)	(284)
(b) product manufacturing and operating costs	(796)	(796)
(c) advertising and marketing	(45)	(45)
(d) leased assets	(370)	(370)
(e) staff costs	(1,270)	(1,270)
(f) administration and corporate costs	(1,767)	(1,767)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	12
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,981)	(1,981)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(40)	(40)
	(d) investments	-	-
	(e) intellectual property	(7)	(7)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(47)	(47)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	22,990	22,990
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,981)	(1,981)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(47)	(47)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(226)	(226)
4.6	Cash and cash equivalents at end of period	20,736	20,736

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,973	5,587
5.2	Call deposits	14,763	17,403
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	20,736	22,990

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments in item 6.1 are included investor relations service provided by associates of directors, and rent payment to a related parties' entity.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 Unused financing facilities available at quarter end

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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,981)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	20,736
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	20,736
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	10

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

March 2022

Date:

Authorised by:

(Managing Director)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.